

Stricken language would be deleted from and underlined language would be added to law as it existed prior to the 82nd General Assembly.

1 State of Arkansas
2 82nd General Assembly
3 Regular Session, 1999
4

As Engrossed: H2/4/99
A Bill

HOUSE BILL 1228

5 By: Representative Hendren
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8 **For An Act To Be Entitled**

9 "AN ACT TO AMEND ARKANSAS CODE 23-63-1301, ET SEQ, THE
10 RISK BASED CAPITAL ACT, TO REDUCE EXEMPTION AMOUNTS
11 FOR REPORTING PURPOSES; AND FOR OTHER PURPOSES."
12

13 **Subtitle**

14 "AN ACT TO AMEND ARKANSAS CODE 23-63-
15 1301, ET SEQ, THE RISK BASED CAPITAL
16 ACT, TO REDUCE EXEMPTION
17 AMOUNTS FOR REPORTING PURPOSES."
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20 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
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22 SECTION 1. Arkansas Code 23-63-1302 is hereby amended to read as
23 follows:

24 "23-63-1302. Definitions.

25 As used in this subchapter, these terms shall have the following
26 meanings:

27 A. 'Adjusted RBC Report' means an RBC report which has been adjusted by
28 the commissioner in accordance with § 23-63-1303E.

29 B. 'Corrective order' means an order issued by the commissioner
30 specifying corrective actions which the commissioner has determined are
31 required.

32 C. 'Domestic insurer' means any insurance company domiciled in this
33 state.

34 D. 'Foreign insurer' means any insurance company which is authorized to
35 do business in this state pursuant to § 23-63-201 et seq. but is not domiciled
36 in this state.

1 E. 'NAIC' means the National Association of Insurance Commissioners.

2 F. 'Life and/or disability insurer' means any insurance company
3 authorized to transact a life and/or disability insurance business pursuant to
4 § 23-63-201 et seq.

5 G. 'Property ~~and/or~~ or casualty insurer' means any insurance company
6 authorized to transact a property ~~and/or~~ or casualty insurance business
7 pursuant to § 23-63-201 et seq., including farmers' mutual aid associations,
8 and fraternal benefit societies, but shall not include monoline mortgage
9 guaranty insurers, financial guaranty insurers, and title insurers.

10 H. 'Negative trend' means, with respect to a life and/or disability
11 insurer, negative trend over a period of time, as determined in accordance
12 with the 'Trend Test Calculation' included in the RBC Instructions.

13 I. 'RBC Instructions' means the RBC Report including risk-based capital
14 instructions adopted by the NAIC, as such RBC Instructions may be amended by
15 the NAIC from time to time in accordance with the procedures adopted by the
16 NAIC.

17 J. 'RBC Level' means an insurer's Company Action Level RBC, Regulatory
18 Action Level RBC, Authorized Control Level RBC, or Mandatory Control Level RBC
19 where:

20 (1) 'Company Action Level RBC' means, with respect to any
21 insurer, the product of 2.0 and its Authorized Control Level RBC;

22 (2) 'Regulatory Action Level RBC' means the product of 1.5 and
23 its Authorized Control Level RBC;

24 (3) 'Authorized Control Level RBC' means the number determined
25 under the risk-based capital formula in accordance with the RBC Instructions;

26 (4) 'Mandatory Control Level RBC' means the product of .70 and
27 the Authorized Control Level RBC.

28 K. 'RBC Plan' means a comprehensive financial plan containing the
29 elements specified in § 23-63-1304B. If the commissioner rejects the RBC Plan,
30 and it is revised by the insurer, with or without the commissioner's
31 recommendation, the plan shall be called the 'Revised RBC Plan'.

32 L. 'RBC Report' means the report required in § 23-63-1303.

33 M. 'Total adjusted capital' means the sum of:

34 (1) An insurer's statutory capital and surplus as determined in
35 accordance with the statutory accounting applicable to the annual financial
36 statements required to be filed under § 23-63-216; and

1 (2) Such other items, if any, as the RBC Instructions may
2 provide.

3 N. 'Commissioner' means the Insurance Commissioner for the State of
4 Arkansas unless the context requires otherwise."

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6 SECTION 2. Arkansas Code 23-63-1310 is hereby amended to read as
7 follows:

8 "23-63-1310. Supplemental provisions - Rules - Exemption.

9 A. The provisions of this subchapter are supplemental to any other
10 provisions of the laws of this state, and shall not preclude or limit any
11 other powers or duties of the commissioner under such laws, including, but not
12 limited to, § 23-68-101 et seq.

13 B. The commissioner may adopt reasonable rules necessary for the
14 implementation of this subchapter.

15 C. ~~The commissioner may exempt from the application of this subchapter~~
16 ~~any domestic insurer which:~~

17 ~~(1) Writes direct business only in this state;~~

18 ~~(2) Writes direct annual premiums of \$35,000,000 or less; and~~

19 ~~(3) Assumes no reinsurance in excess of five percent (5%) of~~

20 ~~direct premium written. The commissioner may exempt from the application of~~
21 ~~this subchapter any domestic insurer licensed to do business in this state~~
22 ~~which:~~

23 (1) Writes direct business only in this state; and

24 (2) Writes direct annual premiums of \$35,000,000 or less,
25 provided however, that effective January 1, 2004, the insurer must write less
26 than \$2,000,000 in direct annual premiums to qualify for any exemption under
27 this subchapter; and

28 (3) Assumes no reinsurance in excess of five percent (5%)
29 of direct premium written.

30 D. The commissioner may exempt from the application of this subchapter
31 any of the following entities:

32 (1) Hospital and/or medical service corporations;

33 ~~(2) Health maintenance organizations;~~

34 ~~(3)(2) Fraternal benefit societies; or~~

35 ~~(4)(3) Farmer's mutual aid associations."~~

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1 SECTION 3. All provisions of this act of a general and permanent nature
2 are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas Code
3 Revision Commission shall incorporate the same in the Code.

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5 SECTION 4. If any provision of this act or the application thereof to
6 any person or circumstance is held invalid, such invalidity shall not affect
7 other provisions or applications of the act which can be given effect without
8 the invalid provision or application, and to this end the provisions of this
9 act are declared to be severable.

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11 SECTION 5. All laws and parts of laws in conflict with this act are
12 hereby repealed.

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/s/ Hendren